

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Port Huron	County St. Clair
Audit Date 12/31/04	Opinion Date 5/17/05	Date Accountant Report Submitted to State: 6/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple			
Street Address 1979 Holland Ave.		City Port Huron	State MI
		ZIP 48060	
Accountant Signature <i>Stewart, Beauvais & Whipple</i>			Date <i>6-30-05</i>

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**ANNUAL FINANCIAL STATEMENTS
with Supplementary Information**

**FOR THE YEAR ENDED
DECEMBER 31, 2004**

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

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CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the
Charter Township of Port Huron
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Charter Township of Port Huron, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Port Huron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Port Huron, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the basic financial statements, the Township adopted Governmental Accounting Statement Board Statement No. 34 and related statements as of and for the year ended December 31, 2004. This resulted in a change in the Township's basic financial statement format and content.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 17, 2005 on our consideration of the Charter Township of Port Huron's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8, and schedules of budgetary comparisons on pages 46 through 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Port Huron's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

May 17, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

The Charter Township of Port Huron's 2004 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – most of the Township's basic services are included here, such as the road, park, police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services, provide most of the funding.

Business-type activities – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water, sewer and refuse operations are treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds; not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in the Water, Sewer and Refuse Funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of 26.4 million. This is an increase over 2004 of \$964,626. Government-type activities comprise \$6.0 million, and business-type activities make up \$20.4 million of the total net assets. In a condensed format, the table below shows net assets as of the December 31, 2004. Future reports will provide comparative data.

In Thousands

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets	\$ 5,783	\$ 3,128	\$ 8,911
Restricted assets	21	4,839	4,860
Noncurrent assets	<u>2,072</u>	<u>16,068</u>	<u>18,140</u>
Total assets	<u>7,876</u>	<u>24,035</u>	<u>31,911</u>
Liabilities			
Current liabilities	1,617	528	2,145
Liabilities payable from			
Restricted assets	-	390	390
Long-term liabilities	<u>231</u>	<u>2,670</u>	<u>2,901</u>
Total liabilities	<u>1,848</u>	<u>3,588</u>	<u>5,436</u>
Net Assets			
Invested in capital assets –			
Net of related debt	1,841	13,240	15,081
Restricted	746	4,666	5,412
Unrestricted	<u>3,441</u>	<u>2,541</u>	<u>5,982</u>
Total net assets	<u>\$ 6,028</u>	<u>\$ 20,447</u>	<u>\$ 26,475</u>

The Township governmental activities experienced a net change in assets of \$254,884. The main reasons are that the general and road funds experienced revenues over expenditures of \$56,720 and \$150,250 respectively.

The following table shows the changes in net assets for 2004. Future reports will provide comparative data for the statement of activities.

In Thousands	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 426	\$ 2,907	\$ 3,333
Operating grants and contributions	60	-	60
Capital grants and contributions	66	395	461
General revenue:			
Property taxes	1,238	430	1,668
Unrestricted grants	709	-	709
Unrestricted investment earnings	47	64	111
Total Revenue	<u>2,546</u>	<u>3,796</u>	<u>6,342</u>
Program Expenses			
General government	628	-	628
Public safety	1,089	-	1,089
Public works	383	-	383
Recreation and cultural	172	-	172
Health and Welfare	6	-	6
Interest on Debt	13	-	13
Water and sewer	-	3,086	3,086
Total Program Expenses	<u>2,291</u>	<u>3,086</u>	<u>5,377</u>
Changes in net assets	<u>\$ 255</u>	<u>\$ 710</u>	<u>\$ 965</u>

Governmental Activities

Revenues for governmental activities totaled \$2,546,341 in 2004. Of this amount, \$1,238,689 was received from taxes, which was an increase of \$45,222 from the prior year. The next largest revenue sources was federal/state revenue of \$686,089, a decrease of \$343,178 from 2003, and charges for services of \$253,386, an decrease of \$49,555.

Business-type Activities

The Township has three business-type activities, the water, sewer and refuse operations. Total revenues including property taxes, special assessments, taxes and interest income was \$3,796,491 and expenses were \$3,086,749 for a change in net assets of \$709,742. Most of this increase is a result of increases in water and sewer charges, lateral fees of \$221,757 and sewer special assessments and tap fees of \$177,711.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Funds

The General fund ended 2004 with a fund balance of \$3,016,896, with \$18,290 reserved for prepaid expenditures with the remaining amount unreserved/undesignated. The original General Fund Budget estimated a balance budget, with the final amended budget approved by the Township Board estimating expenditures over revenues of \$64,637. Actual results for 2004 have revenues over expenditures of \$56,720 or a positive variance of \$126,357. The significant reasons for the difference include:

- Charges for services was \$27,213 more than anticipated.
- Expenditures for Legislative activities were \$93,901 less than the budget because a transfer of \$75,000 was budgeted and not made and a land acquisition was budgeted for \$20,000, but instead purchased through the Park Fund.
- Expenditures for the Department of Public Works were \$60,967 less than the budget because salaries and fringes were less than anticipated as a result of an employee being on Medical Leave and switching one employee from full-time to part-time.
- Expenditures for the Fire Department were \$36,772 less than budget as a result of not transferring the fire hydrant rental to the water fund.
- Transfer from other funds was \$119,000 less than anticipated mainly as a result of the transfer of \$75,000 for Legislation Activities noted above was not made and an anticipated \$40,000 from other funds was not received.

The Townships other major governmental funds had the following revenues over (under) expenditures as follows:

- Road Fund had revenues in excess of expenditures of \$150,250 because the Township was accumulating resources for a major road project in 2005/06.
- The Police Fund had expenditures over revenues of \$3,411.

The budgets were amended throughout the year as deemed necessary, primarily to prevent over expenditure. The following significant amendments were made during the year.

General Fund

- The Rental Building budget was amended from \$3,400 to \$45,000 to account for renovations to the building.

Other Funds

- Parks Fund revenues were decreased from \$147,600 to \$107,200 for anticipated less revenue.
- Building Inspection fund revenues were increased from \$147,200 to \$220,000 as a result of additional inspection fees from the new St. Clair County Jail.

Business-type Activities

As indicated earlier the Township only three business-type activities, the water, sewer and refuse operations. Total revenues amounted to \$3,796,491 for 2004 and expenses were \$3,086,749 for an increase in net assets of \$709,742. Most of this increase is a result of increased water user charges and lateral fees of \$221,757, with the remaining increase from sewer special assessments and tap fees of \$177,711.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$18.1 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of December 31, 2004. The investment is a capital asset includes land, land improvements, buildings, machinery and equipment, and water and sewer lines. During the year the Township added \$1,093,379 of capital assets, \$83,271 in the government-activities and \$1,010,108 in the business-type activities. Of the governmental activities \$27,816 was for the renovations of the rental building, with the remaining purchase of the exhaust fans in the fire department. Most of the business-type activities were a result of construction of Petit and 32nd Street sewer lines.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 622,680	\$ 82,062	\$ 704,742
Land Improvements	528,888	-	528,888
Building and Improvements	1,485,227	-	1,485,227
Machinery and Equipment	974,474	415,335	1,389,809
Mains and Extensions	-	23,332,503	23,332,503
Construction in Progress	-	48,702	48,702
	<u>3,611,269</u>	<u>23,878,602</u>	<u>27,489,871</u>
Accumulated Depreciation	<u>(1,539,308)</u>	<u>(7,854,565)</u>	<u>(9,393,873)</u>
	<u>\$ 2,071,961</u>	<u>\$ 16,024,037</u>	<u>\$ 18,095,998</u>

Additional information on the Township's capital assets can be found in Note 7.

Long-Term Debt

At December 31, 2004 the Township's had \$3,005,976 in long-term debt compared to \$2,266,790 at December 31, 2003, an increase of \$739,186 from the prior year. During the year the Township sold \$900,000 of General Obligation Bonds. The following table shows the long-term debt at December 31, 2004:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Revenue Bond	\$ -	\$ 50,000
G.O. Bonds	-	2,725,000
Notes Payable	145,200	-
Capital Leases	<u>85,776</u>	<u>-</u>
	<u>\$ 230,976</u>	<u>\$ 2,775,000</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGET

For 2005, the Township Board adopted a balance general fund budget with estimated revenues and expenditures of \$1,348,000. This is approximately a 3.7% increase from actual expenditures for 2004. Although local municipalities in the State of Michigan have seen State Shared Revenues decrease significantly during the past few years, the 2005 budget does not anticipate any further cuts.

CONTACTING THE TOWNSHIP

This financial report is designed to provide a general overview of the Township's finances to and our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (810) 987-6600.

BASIC FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF PORT HURON
St. Clair County, Michigan

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 3,879,380	\$ 2,075,803	\$ 5,955,183	\$ 2,173,233
Investments	-	5,000	5,000	-
Receivables (net of allowance)	1,664,335	959,096	2,623,431	1,138,664
Internal balances	73,064	(73,064)	-	-
Due from primary government	-	-	-	25,759
Due from component unit	21,573	154,270	175,843	-
Prepaid expenditures	19,843	7,340	27,183	-
Deposits	124,902	-	124,902	-
Deferred assets	-	44,169	44,169	-
Restricted Assets -				-
Cash and cash equivalents	20,745	4,396,923	4,417,668	-
Receivables (net of allowance)	-	441,709	441,709	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	622,680	130,764	753,444	-
Assets being depreciated	1,449,281	15,893,273	17,342,554	6,303,353
Total Assets	<u>7,875,803</u>	<u>24,035,283</u>	<u>31,911,086</u>	<u>9,641,009</u>
LIABILITIES:				
Payables and accrued liabilities	187,566	392,705	580,271	446,256
Accrued interest	4,595	12,124	16,719	31,556
Due to primary government	-	-	-	175,843
Due to component units	7,972	-	7,972	-
Advances and deposits	54,544	28,051	82,595	-
Deferred revenue	1,361,991	86,288	1,448,279	1,122,908
Notes payable	-	9,014	9,014	-
Liabilities Payable From Restricted Assets				
Accounts payable	-	47,444	47,444	-
Bonds payable (current)	-	105,000	105,000	-
Accrued interest	-	8,085	8,085	-
Deferred revenue	-	229,795	229,795	-
Non-current liabilities				
Due within one year	53,556	60,000	113,556	505,000
Due in more than one year	177,420	2,610,000	2,787,420	3,505,000
Total Liabilities	<u>1,847,644</u>	<u>3,588,506</u>	<u>5,436,150</u>	<u>5,786,563</u>
NET ASSETS:				
Investment in capital assets, net of related liabilities	1,840,985	13,240,023	15,081,008	2,293,353
Restricted				
Debt retirement/construction of capital assets	-	4,536,953	4,536,953	-
Cemetery perpetual care				
Nonexpendable	20,348	-	20,348	-
Other	725,580	-	725,580	-
Unrestricted	3,441,246	2,669,801	6,111,047	1,561,093
Total Net Assets	<u>\$ 6,028,159</u>	<u>\$ 20,446,777</u>	<u>\$ 26,474,936</u>	<u>\$ 3,854,446</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORT HURON
St. Clair County, Michigan

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 627,995	\$ 62,074	\$ 23,475	\$ -
Public Safety	1,088,868	222,994	4,986	33,300
Public Works	382,851	9,325	-	29,759
Recreation and Culture	172,145	125,144	31,126	3,264
Health and Welfare	6,605	6,599	-	-
Interest on Long Term Debt	12,993	-	-	-
Total governmental activities	<u>2,291,457</u>	<u>426,136</u>	<u>59,587</u>	<u>66,323</u>
Business type activities:				
Water Fund	1,581,674	1,371,746	-	33,867
Sewer Fund	1,154,427	1,129,912	-	360,840
Refuse Fund	350,648	405,709	-	-
	<u>3,086,749</u>	<u>2,907,367</u>	<u>-</u>	<u>394,707</u>
Total Primary Government	<u>5,378,206</u>	<u>3,333,503</u>	<u>59,587</u>	<u>461,030</u>
Component Units				
Downtown Development Authority	348,976	-	-	-
Economic Development Corporation	5,519	5,800	-	-
Brownfield Redevelopment Authority	189,098	-	-	198,571
Total Component Units	<u>543,593</u>	<u>5,800</u>	<u>-</u>	<u>198,571</u>

General revenues:

Property taxes

Grants and contribution not
restricted to specific programs

Unrestricted investment income

Total general revenues and transfers

Change in net assets

Net assets at beginning of year as restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$(542,446)	\$ -	\$(542,446)	\$ -
(827,588)	-	(827,588)	-
(343,767)	-	(343,767)	-
(12,611)	-	(12,611)	-
(6)	-	(6)	-
(12,993)	-	(12,993)	-
<u>(1,739,411)</u>	<u>-</u>	<u>(1,739,411)</u>	<u>-</u>
-	(176,061)	(176,061)	-
-	336,325	336,325	-
-	55,061	55,061	-
<u>-</u>	<u>215,325</u>	<u>215,325</u>	<u>-</u>
<u>(1,739,411)</u>	<u>215,325</u>	<u>(1,524,086)</u>	<u>-</u>
-	-	-	(348,976)
-	-	-	281
-	-	-	9,473
<u>-</u>	<u>-</u>	<u>-</u>	<u>(339,222)</u>
1,238,689	430,469	1,669,158	928,884
708,702	-	708,702	-
46,904	63,948	110,852	20,091
<u>1,994,295</u>	<u>494,417</u>	<u>2,488,712</u>	<u>948,975</u>
254,884	709,742	964,626	609,753
<u>5,773,275</u>	<u>19,737,035</u>	<u>25,510,310</u>	<u>3,244,693</u>
<u>\$ 6,028,159</u>	<u>\$ 20,446,777</u>	<u>\$ 26,474,936</u>	<u>\$ 3,854,446</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	<u>General</u>	<u>Road</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current assets -					
Cash and cash equivalents	\$ 2,825,948	\$ 496,859	\$ 16,253	\$ 540,320	\$ 3,879,380
Receivables -					
Property taxes	388,821	227,303	416,882	275,091	1,308,097
Interest and accounts	52,883	-	-	-	52,883
Special assessments	3,378	82,856	-	-	86,234
Due from other governmental units -					
Federal/State	217,121	-	-	-	217,121
Deposits	-	-	-	124,902	124,902
Due from other funds	115,004	-	86,099	55,539	256,642
Due from component unit	21,573	-	-	-	21,573
Prepaid expenditures	18,290	-	-	1,553	19,843
	<u>3,643,018</u>	<u>807,018</u>	<u>519,234</u>	<u>997,405</u>	<u>5,966,675</u>
Restricted assets -					
Cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,745</u>	<u>20,745</u>
Total Assets	<u><u>\$ 3,643,018</u></u>	<u><u>\$ 807,018</u></u>	<u><u>\$ 519,234</u></u>	<u><u>\$ 1,018,150</u></u>	<u><u>\$ 5,987,420</u></u>
Liabilities:					
Accounts payable	\$ 34,398	\$ 69,865	\$ 36,224	\$ 4,768	\$ 145,255
Accrued liabilities	37,147			5,164	42,311
Advances and deposits					
Local	18,354			36,190	54,544
Due to other funds	138,928	9,979		34,671	183,578
Due to component unit	7,972	-	-	-	7,972
Due to other governmental units	-	-	-	-	-
Deferred revenue	389,323	291,771	456,882	288,984	1,426,960
Total Liabilities	<u>626,122</u>	<u>371,615</u>	<u>493,106</u>	<u>369,777</u>	<u>1,860,620</u>
Fund Balances:					
Reserved -					
Prepaid expenditures	18,290	-	-	1,553	19,843
Parks millage	-	-	-	151,050	151,050
Perpetual Care	-	-	-	20,348	20,348
Unreserved -					
Undesignated -					
General Fund	2,998,606	-	-	-	2,998,606
Special Revenue Funds	-	435,403	26,128	475,422	936,953
Total Equity	<u>3,016,896</u>	<u>435,403</u>	<u>26,128</u>	<u>648,373</u>	<u>4,126,800</u>
Total Liabilities and Fund Equity	<u><u>\$ 3,643,018</u></u>	<u><u>\$ 807,018</u></u>	<u><u>\$ 519,234</u></u>	<u><u>\$ 1,018,150</u></u>	<u><u>\$ 5,987,420</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORT HURON
St. Clair County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

Fund Balances - total governmental funds			\$	4,126,800
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				
Capital assets				3,611,269
Accumulated depreciation			(	1,539,308)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				
Special Assessments				64,969
Long - term liabilities are not due and payable in the current period and therefore are not reported in the funds.				
Notes payable	(	145,200)		
Capital lease	(	85,776)		
Accrued interest	(	4,595)	(	235,571)
				<u> </u>
Net Assets of governmental activities			\$	<u><u>6,028,159</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Road	Police	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 475,333	\$ 212,859	\$ 427,839	\$ 151,390	\$ 1,267,421
Licenses and permits	4,525	-	-	213,873	218,398
Intergovernmental -					
Federal/State	686,089	-	-	-	686,089
Local	-	-	-	36,112	36,112
Charges for services	138,313	-	-	115,073	253,386
Fines and forfeits	220	-	-	-	220
Interest and rent	40,752	7,073	1,119	32,057	81,001
Other	4,074	23,635	-	4,737	32,446
Total Revenues	<u>1,349,306</u>	<u>243,567</u>	<u>428,958</u>	<u>553,242</u>	<u>2,575,073</u>
Expenditures:					
Current -					
General Government	618,388	-	-	23,643	642,031
Public Safety	465,124	-	435,097	186,353	1,086,574
Public Works	146,201	93,317	-	132,150	371,668
Recreation and Cultural	23,671	-	-	128,879	152,550
Health and Welfare	6,605	-	-	-	6,605
Debt Service					
Principal	25,814	-	-	-	25,814
Interest	13,783	-	-	-	13,783
Total Expenditures	<u>1,299,586</u>	<u>93,317</u>	<u>435,097</u>	<u>471,025</u>	<u>2,299,025</u>
Excess of revenues over (under) expenditures	<u>49,720</u>	<u>150,250</u>	<u>(6,139)</u>	<u>82,217</u>	<u>276,048</u>
Other Financing Sources (Uses):					
Transfers from other funds	12,000	-	2,728	7,192	21,920
Transfers to other funds	(5,000)	-	-	(16,920)	(21,920)
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>-</u>	<u>2,728</u>	<u>(9,728)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>56,720</u>	<u>150,250</u>	<u>(3,411)</u>	<u>72,489</u>	<u>276,048</u>
Fund Balances at beginning of year	2,852,054	285,153	29,539	484,115	3,650,861
Prior period adjustment	<u>108,122</u>	<u>-</u>	<u>-</u>	<u>91,769</u>	<u>199,891</u>
Fund Balances at beginning of year as restated	<u>2,960,176</u>	<u>285,153</u>	<u>29,539</u>	<u>575,884</u>	<u>3,850,752</u>
Fund Balances at end of year	<u>\$ 3,016,896</u>	<u>\$ 435,403</u>	<u>\$ 26,128</u>	<u>\$ 648,373</u>	<u>\$ 4,126,800</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORT HURON
St. Clair County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2004**

Net change in fund balances - total governmental funds		\$	276,048
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay			83,271
Depreciation expense		(	102,307)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
		(	28,732)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.			
Principal payments on long term liabilities	25,814		
Decrease in accrued interest	<u>790</u>		<u>26,604</u>
Change in net assets of governmental activities		\$	<u><u>254,884</u></u>

The notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORT HURON
St. Clair County, Michigan

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 537,510	\$ 1,448,881	\$ 89,412	\$ 2,075,803
Investments	5,000	-	-	5,000
Receivables -				
Utilities	416,746	374,812	-	791,558
Special assessments	62,504	4,305	-	66,809
Other	8,116	6,090	86,523	100,729
Due from other funds	701,943	-	15,595	717,538
Due from component unit	-	154,270	-	154,270
Prepaid expenses	4,658	2,682	-	7,340
	<u>1,736,477</u>	<u>1,991,040</u>	<u>191,530</u>	<u>3,919,047</u>
Restricted Assets:				
Cash and cash equivalents	-	4,396,923	-	4,396,923
Receivables -				
Taxes	-	229,795	-	229,795
Special assessment	-	185,184	-	185,184
Tap-in fees	-	26,730	-	26,730
	<u>-</u>	<u>4,838,632</u>	<u>-</u>	<u>4,838,632</u>
Utility System:				
Land	82,062	-	-	82,062
Mains and extensions	6,085,781	17,246,722	-	23,332,503
Equipment	128,128	287,207	-	415,335
	<u>6,295,971</u>	<u>17,533,929</u>	<u>-</u>	<u>23,829,900</u>
Less - accumulated depreciation	(2,031,444)	(5,823,121)	-	(7,854,565)
	<u>4,264,527</u>	<u>11,710,808</u>	<u>-</u>	<u>15,975,335</u>
Construction in progress	17,572	31,130	-	48,702
	<u>4,282,099</u>	<u>11,741,938</u>	<u>-</u>	<u>16,024,037</u>
Other Assets:				
Unamortized bond costs	12,825	31,344	-	44,169
	<u>12,825</u>	<u>31,344</u>	<u>-</u>	<u>44,169</u>
Total Assets	<u>\$ 6,031,401</u>	<u>\$ 18,602,954</u>	<u>\$ 191,530</u>	<u>\$ 24,825,885</u>

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
LIABILITIES				
Current Liabilities:				
Payables -				
Accounts	\$ 22,931	\$ 9,250	\$ -	\$ 32,181
Accrued salaries	4,203	2,246	-	6,449
Deposits	25,988	2,063	-	28,051
Due to other governmental units -				
Local	220,003	134,072	-	354,075
Due to other funds	38,217	735,482	548	774,247
Accrued interest	12,124	-	-	12,124
Notes payable	9,014	-	-	9,014
Bonds payable	60,000	-	-	60,000
Deferred revenue	-	-	86,288	86,288
	<u>392,480</u>	<u>883,113</u>	<u>86,836</u>	<u>1,362,429</u>
Current Liabilities - (Payable from restricted assets):				
Accounts payable	-	47,444	-	47,444
Bonds payable (current portion)	-	105,000	-	105,000
Due to other funds	-	16,355	-	16,355
Accrued interest	-	8,085	-	8,085
Deferred revenue	-	229,795	-	229,795
	<u>-</u>	<u>406,679</u>	<u>-</u>	<u>406,679</u>
Long-Term Liabilities:				
Bonds payable (net of current portion)	<u>1,555,000</u>	<u>1,055,000</u>	<u>-</u>	<u>2,610,000</u>
	<u>1,947,480</u>	<u>2,344,792</u>	<u>86,836</u>	<u>4,379,108</u>
Net Assets				
Investment in capital assets, net	2,658,085	10,581,938	-	13,240,023
Restricted				
Bond retirement/construction	-	4,536,953	-	4,536,953
Unrestricted	<u>1,425,836</u>	<u>1,139,271</u>	<u>104,694</u>	<u>2,669,801</u>
	<u>\$ 4,083,921</u>	<u>\$ 16,258,162</u>	<u>\$ 104,694</u>	<u>\$ 20,446,777</u>

The notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Operating Revenues:				
User charges	\$ 1,261,583	\$ 1,092,602	\$ 397,040	\$ 2,751,225
Lateral fees	93,425	27,640	-	121,065
Other charges	<u>16,738</u>	<u>9,670</u>	<u>8,669</u>	<u>35,077</u>
	<u>1,371,746</u>	<u>1,129,912</u>	<u>405,709</u>	<u>2,907,367</u>
Operating Expenses:				
Salaries and wages	126,472	98,754	-	225,226
Fringe benefits	76,138	40,050	-	116,188
Supplies	56,857	1,170	221	58,248
Professional fees	10,963	6,964	-	17,927
Water, sewer and refuse charges	909,305	634,595	349,396	1,893,296
Repairs and maintenance	133,644	34,077	-	167,721
Depreciation/amortization	143,421	284,924	-	428,345
Utilities	9,808	19,533	-	29,341
Other	<u>40,281</u>	<u>15,377</u>	<u>1,031</u>	<u>56,689</u>
	<u>1,506,889</u>	<u>1,135,444</u>	<u>350,648</u>	<u>2,992,981</u>
Operating Income (Loss)	<u>(135,143)</u>	<u>(5,532)</u>	<u>55,061</u>	<u>(85,614)</u>
Non-Operating Revenues (Expenses):				
Property taxes	-	430,469	-	430,469
Special assessments and tap fees	33,867	360,840	-	394,707
Interest earned	5,852	57,380	716	63,948
Interest on bonds and paying agent fees	<u>(74,785)</u>	<u>(18,983)</u>	<u>-</u>	<u>(93,768)</u>
	<u>(35,066)</u>	<u>829,706</u>	<u>716</u>	<u>795,356</u>
Net Income (Loss)	<u>(170,209)</u>	<u>824,174</u>	<u>55,777</u>	<u>709,742</u>
Net Assets at beginning of year	2,867,120	9,517,365	48,917	12,433,402
Prior period adjustment	<u>1,387,010</u>	<u>5,916,623</u>	<u>-</u>	<u>7,303,633</u>
Net Assets at beginning of year as restated	<u>4,254,130</u>	<u>15,433,988</u>	<u>48,917</u>	<u>19,737,035</u>
Net Assets at end of year	<u><u>\$ 4,083,921</u></u>	<u><u>\$ 16,258,162</u></u>	<u><u>\$ 104,694</u></u>	<u><u>\$ 20,446,777</u></u>

The notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Water	Sewer	Refuse	Total
Cash Flows From Operating Activities:				
Receipts from customers	\$ 1,292,377	\$ 1,033,629	\$ 376,832	\$ 2,702,838
Payments to suppliers	(1,165,800)	(708,115)	(350,648)	(2,224,563)
Payments to employees	(206,026)	(143,796)	-	(349,822)
Other cash receipts (payments)	1,512	(31,344)	-	(29,832)
Net Cash Provided (Used) by Operating Activities	<u>(77,937)</u>	<u>150,374</u>	<u>26,184</u>	<u>98,621</u>
Cash Flows From Capital and Related Financing Activities:				
Bond payments	(130,079)	(93,523)	-	(223,602)
Note payments	(4,350)	-	-	(4,350)
Acquisition and construction of capital assets	(131,854)	(878,254)	-	(1,010,108)
Proceeds from sale of bonds/note	13,364	900,000	-	913,364
Special assessments and tap fees	44,144	263,075	-	307,219
Property taxes	-	633,838	-	633,838
Deferred revenue	-	(203,369)	939	(202,430)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(208,775)</u>	<u>621,767</u>	<u>939</u>	<u>413,931</u>
Cash Flows From Investing Activities:				
Interest earned	<u>5,852</u>	<u>57,380</u>	<u>716</u>	<u>63,948</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	(280,860)	829,521	27,839	576,500
Cash and Cash Equivalents at beginning of year	<u>818,370</u>	<u>5,016,283</u>	<u>61,573</u>	<u>5,896,226</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 537,510</u></u>	<u><u>\$ 5,845,804</u></u>	<u><u>\$ 89,412</u></u>	<u><u>\$ 6,472,726</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss) for the year	\$(135,143)	\$(5,532)	\$ 55,061	\$(85,614)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -				
Depreciation and amortization	143,421	284,924	-	428,345
Changes in assets and liabilities -				
Receivables	(72,797)	(15,209)	(13,282)	(101,288)
Due from other funds/component units	61,691	(81,074)	(15,595)	(34,978)
Prepaid expenses	3,507	5,655	-	9,162
Bond discount	-	(31,344)	-	(31,344)
Payables	(76,032)	10,724	-	(65,308)
Due to other funds/component units	15,646	(7,737)	-	7,909
Due to other governmental units	<u>(18,230)</u>	<u>(10,033)</u>	<u>-</u>	<u>(28,263)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$(77,937)</u></u>	<u><u>\$ 150,374</u></u>	<u><u>\$ 26,184</u></u>	<u><u>\$ 98,621</u></u>

The notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORT HURON
St. Clair County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 2,224,610</u>
 LIABILITIES:	
Due to component units	\$ 17,787
Undistributed taxes	<u> 2,206,823</u>
 Total Liabilities	<u>\$ 2,224,610</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2004**

	Downtown Development Authority	Economic Development Corporation	Brownfield Development Authority	Totals
ASSETS				
Cash and cash equivalents	\$ 2,122,091	\$ 23,595	\$ 27,547	\$ 2,173,233
Accounts receivable	1,122,908	-	15,756	1,138,664
Due from primary government	19,409	-	6,350	25,759
Capital Assets (net of accumulated depreciation)				
Assets being depreciated	6,303,353	-	-	6,303,353
	<u>9,567,761</u>	<u>23,595</u>	<u>49,653</u>	<u>9,641,009</u>
LIABILITIES				
Payables and current liabilities	406,663	-	39,593	446,256
Due to primary government	154,270	21,573	-	175,843
Deferred revenue	1,122,908	-	-	1,122,908
Accrued interest	31,556	-	-	31,556
Non-current liabilities				
Due within one year	505,000	-	-	505,000
Due in more than one year	3,505,000	-	-	3,505,000
	<u>5,725,397</u>	<u>21,573</u>	<u>39,593</u>	<u>5,786,563</u>
Net Assets:				
Invested in Capital Assets, net of related liabilities	2,293,353	-	-	2,293,353
Unrestricted	<u>1,549,011</u>	<u>2,022</u>	<u>10,060</u>	<u>1,561,093</u>
	<u>\$ 3,842,364</u>	<u>\$ 2,022</u>	<u>\$ 10,060</u>	<u>3,854,446</u>

CHARTER TOWNSHIP OF PORT HURON
St. Clair County, Michigan

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority				
Governmental Activities				
Public Works	\$ 152,596	\$ -	\$ -	\$ -
Debt Service	196,380	-	-	-
	<u>348,976</u>	<u>-</u>	<u>-</u>	<u>-</u>
Economic Development Corporation				
Governmental Activities				
Public Works	5,519	5,800	-	-
	<u>5,519</u>	<u>5,800</u>	<u>-</u>	<u>-</u>
Brownfield Redevelopment Authority				
Governmental Activities				
Public Works	189,098			198,571
	<u>189,098</u>	<u></u>	<u></u>	<u>198,571</u>
Total Component Units	<u>\$ 543,593</u>	<u>\$ 5,800</u>	<u>\$ -</u>	<u>\$ 198,571</u>

General revenues:

Property taxes

Unrestricted investment income

Total general revenues and transfers

Change in net assets

Net assets at beginning of year as restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
\$(152,596)			
(196,380)			
<u>(348,976)</u>			\$(348,976)
	<u>\$ 281</u>		281
		<u>\$ 9,473</u>	9,473
928,884	-	-	928,884
<u>19,572</u>	<u>216</u>	<u>303</u>	<u>20,091</u>
<u>948,456</u>	<u>216</u>	<u>303</u>	<u>948,975</u>
599,480	497	9,776	609,753
<u>3,242,884</u>	<u>1,525</u>	<u>284</u>	<u>3,244,693</u>
<u>\$ 3,842,364</u>	<u>\$ 2,022</u>	<u>\$ 10,060</u>	<u>\$ 3,854,446</u>

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The Charter Township of Port Huron, Michigan, a Municipal Corporation, was organized as a Township in 1827 and became a Charter Law Township on November 27, 1978, under Public Act 359, the Charter Township Act. The Township is one of twenty-three Townships in St. Clair County and covers an area of approximately 13 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees, and provides services to its more than 8,600 residents in many areas including law enforcement, fire protection, water, sewer, roads, parks and natural resources, and planning and economic development.

These financial statements present the Township and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operation. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate for the Township.

DISCRETELY PRESENTED COMPONENT UNITS –

ECONOMIC DEVELOPMENT CORPORATION – was incorporated under the provision of Act No. 338 of the Public Acts of 1974, as amended. Its purpose is to alleviate and prevent conditions of unemployment, to assist and retain local industry and commercial enterprises, to strengthen and revitalize the Township economy, to provide means and methods for encouragement and assistance to industrial and commercial enterprises, etc. The EDC is managed by its 13 member Board of Directors, which are appointed by the Supervisor with the advice and consent of the Township Board. The Corporation is financed primarily through user charges, rent and donations. The Corporation has the authority to issue revenue bonds, which are not backed by the Corporation or the Township, but rather the specific project for which they were issued. Since the EDC operates in conjunction and there is an interdependency between the two agencies, the Corporation is reported as a component unit.

DOWNTOWN DEVELOPMENT AUTHORITY - was created to halt property value deterioration, eliminate the cause of the deterioration, increase property tax valuation and promote economic growth. The Authority is under the supervision of the Board, with the nine member Board appointed by the Supervisor. The Authority is required to annually prepare and submit a budget to the Township Board.

BROWNFIELD REDEVELOPMENT AUTHORITY - was created to promote the revitalization of environmentally distressed areas. The Authority is under the supervision of the Board, with the eight to ten member Board appointed by the Supervisor and confirmed by the Township Board.

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not property included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are intended to finance (the December 2003 levy in 2004). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment are recorded only when payment is due.

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied and collected in December of each year, are budgeted and treated as revenue in the subsequent year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund – is a special revenue fund used to account for taxes and other related revenue restricted for road improvements in the Township.

Police Fund – is a special revenue fund used to account for a tax levy for the purpose of providing police protection for the Township.

The Township reports the following major proprietary fund:

Water Fund – is used to account for the purchase and distribution of water to residential and commercial users.

Sewer Fund – is used to account for sanitary sewer services provided to residential and commercial users.

Refuse Fund – is used to account for the operation and activities of garbage collection.

Additionally, the Township reports the following fund types:

Special Revenue Funds – are funds used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Agency Funds – are used account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments –

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonable approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Prepaid Items –

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in the statement of net assets.

Property Tax Calendar –

The Township's property tax is levied each December 1 on the taxable value of property located in the Township as if the proceeding December 31. Property taxes are recognized as revenues in the year they were intended to finance (the 2003 levy is recognized in 2004).

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Tax Collection Fund.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to January 1, 2004, except in the Downtown Development Authority.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

	Primary Government	Component Unit
Land improvements	20-30 years	- years
Buildings and improvements	5-50	-
Utility systems	40-60	-
Machinery and equipment	5-20	-
Shared street improvements	-	20
Storm Sewers	-	60
	- 28 -	

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Compensated Absences –

The Township does not allow employees to accumulate vacation or sick time from year-to-year.

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information –

The Township Supervisor and the Clerk prepare and submit the proposed operating budgets for the year commencing January 1. The budgets include proposed expenditures and resources to finance them.

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):

Prior to December 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the activity (department) level in the General Fund and the total expenditure level for the Special Revenue Fund. However, for control purposes all budgets are maintained at the object (account) level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year ended December 31, 2004, the Township incurred expenditures in the General and Special Revenue Funds, which were in excess of the amount appropriated as follows:

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
General Fund –			
General Government –			
Assessor	\$ 95,000	\$ 101,120	\$ 6,120
Clerk	59,000	60,758	1,758
Township Hall	28,000	39,801	11,801
Debt Service	16,000	39,597	23,597
Transfers Out	-	5,000	5,000
Park Fund	120,000	123,345	3,345
Museum Fund	12,000	16,486	4,486
Building Inspection Fund	164,680	182,186	17,506
Liquor Control Fund	4,515	4,848	333

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of December 31, 2004, the carrying amount of the deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
Deposits -				
Cash on hand -				
Petty Cash	\$ 1,300	\$ -	\$ -	\$ 1,300
Deposits with Financial Institutions	<u>115,632</u>	<u>-</u>	<u>-</u>	<u>115,632</u>
Total Deposits	116,932	-	-	116,932
Investments -				
Investment Trust Funds	<u>10,260,919</u>	<u>2,224,610</u>	<u>2,173,233</u>	<u>14,658,762</u>
Total Investments	<u>\$ 10,377,851</u>	<u>\$ 2,224,610</u>	<u>\$ 2,173,233</u>	<u>\$ 14,775,694</u>
Reconciliation To Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 1,300	\$ -	\$ -	\$ 1,300
Deposits	110,632	-	-	110,632
Investment Trust Funds	<u>10,260,919</u>	<u>2,224,610</u>	<u>2,173,233</u>	<u>14,658,762</u>
Total Cash and Cash				
Equivalents Reported on				
Combined Balance Sheet	10,372,851	2,224,610	2,173,233	14,770,694
Reported as Investments -				
Certificate of Deposit	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Grand Total Combined Balance Sheet	<u>\$ 10,377,851</u>	<u>\$ 2,224,610</u>	<u>\$ 2,173,233</u>	<u>\$ 14,775,694</u>

Deposits -

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of December 31, 2004 the bank balance of the Township's deposits were \$314,150 of which \$188,287 was FDIC insured with the balance \$125,863 uninsured and uncollateralized.

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):

Investments –

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

As of December 31, 2004, the Township has \$14,658,762 invested in Investment Trust Funds, which are managed by a bank's trust department. Of this amount, \$10,260,919 are investments of the primary government with the remaining \$2,224,610 in the fiduciary funds and \$2,173,233 as investments of the component units. The trust invests primarily in short-term maturity U.S. Government backed or guaranteed securities, which are held by the trust in its name. These funds have not been considered to be susceptible to investment risk categories. The investment trusts have been reported in the financial statements as a cash equivalent because they have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

NOTE 4 –TAXES:

The Township property taxes are levied each December on the assessed valuation of the property located in the Township as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the following February.

Assessed values are established annually by the Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property in the Township for the 2004 and 2003 levies have State Equalized Value (SEV) of \$293,297,550 and \$281,110,150, respectively, and a taxable value of \$254,251,115 and \$239,557,125, respectively.

The 2003 Levy, (2004 Revenue), the Township levied 1.0 mill for General Operations, .9892 mill for Road Repairs, .4945 mill for Fire Protection, .7632 mill for Public Bus Transportation, 1.9882 mill for Police Protection and 2.0 mill for Sewer. In addition, the Component Unit, Downtown Development Authority captures the increase in taxable value of property within the DDA District.

Taxes that are collected by the Township from the date of the levy to December 31, are retained in the Current Tax Collection Fund.

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Taxes	\$ 1,308,097	\$ 229,795
Special Assessments	86,234	251,993
Accounts and Interest	52,883	919,017
Intergovernmental	<u>217,121</u>	<u>-</u>
	<u>\$ 1,664,335</u>	<u>\$ 1,400,805</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year the component of deferred revenue and unearned revenue reported in the governmental funds was as follows:

Governmental Type Activities -	<u>Unavailable</u>	<u>Unearned</u>
General Fund -		
Property Taxes	\$ -	\$ 388,821
Special Assessments	<u>502</u>	<u>-</u>
	<u>502</u>	<u>388,821</u>
Road Fund -		
Property Taxes	-	227,304
Special Assessments	<u>64,467</u>	<u>-</u>
	<u>64,467</u>	<u>227,307</u>
Police Fund -		
Property Taxes	<u>-</u>	<u>456,882</u>
Fire Fund -		
Property Taxes	<u>-</u>	<u>113,618</u>
Blue Water Area Transportation Fund -		
Property Taxes	<u>-</u>	<u>175,366</u>
	64,969	1,361,991
Business Type Activities -		
Refuse Fund -		
Refuse Fees	<u>-</u>	<u>86,288</u>
	<u>\$ 64,969</u>	<u>\$ 1,488,279</u>

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2004:

Due To/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road Fund	\$ 9,979
	Park Fund	22,926
	Cemetery Fund	2,486
	Fishing Derby Fund	264
	Liquor Fund	10
	Sewer Fund	56,169
	Water Fund	22,622
	Refuse Fund	548
Police Fund	General Fund	86,099
Cemetery Fund	Park Fund	1,403
	Museum Fund	723
	Perpetual Care Fund	397
Fishing Derby Fund	Park Fund	187
Museum Fund	General Fund	134
Building Inspection Fund	General Fund	52,695
Water Fund	Museum Fund	6,275
	Sewer Fund	695,668
	Refuse Fund	<u>15,595</u>
		<u>\$ 974,180</u>

Due From/To Primary Government and Component Units –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Economic Development Corporation	\$ 21,573
Sewer Fund	Downtown Development Authority	154,270
Brownfield Redevelopment Authority	General Fund	6,350
Downtown Development Authority	General Fund	1,622
	Current Tax Fund	<u>17,787</u>
		<u>\$ 201,602</u>

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS – (cont'd):

Transfers From/To Other Funds –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Parks	\$ 12,000
Police	Liquor	2,728
Cemetery	Perpetual Care	192
Fishing Derby	Parks	2,000
Fire	General	<u>5,000</u>
Total Transfers		<u>\$ 21,920</u>

NOTE 7 – CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2004 was as follows:

	<u>Jan. 1, 2004 Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Dec. 31, 2004 Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 622,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,680</u>
Capital assets, being depreciated:				
Land improvements	524,532	4,356	-	528,888
Buildings and improvements	1,451,649	33,578	-	1,485,227
Machinery and equipment	<u>929,137</u>	<u>45,337</u>	<u>-</u>	<u>974,474</u>
Total capital assets being depreciated	<u>2,905,318</u>	<u>83,271</u>	<u>-</u>	<u>2,988,589</u>
Less accumulated depreciation for:				
Land improvements	213,708	23,083	-	236,791
Building and improvements	684,002	30,361	-	714,363
Machinery and equipment	<u>539,291</u>	<u>48,863</u>	<u>-</u>	<u>588,154</u>
Total accumulated depreciation	<u>1,437,001</u>	<u>102,307</u>	<u>-</u>	<u>1,539,308</u>
Total capital assets being depreciated, net	<u>1,468,317</u>	<u>19,036</u>	<u>-</u>	<u>1,449,281</u>
Governmental activities capital assets, net	<u>\$ 2,090,997</u>	<u>\$(19,036)</u>	<u>\$ -</u>	<u>\$ 2,071,961</u>

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 7 – CAPITAL ASSETS – (cont'd):

	<u>Jan. 1, 2004 Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Dec. 31, 2004 Balance</u>
Business Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,495,006	\$ -	\$ 2,446,304	\$ 48,702
Land	<u>-</u>	<u>82,062</u>	<u>-</u>	<u>82,062</u>
	<u>2,495,006</u>	<u>82,062</u>	<u>2,446,304</u>	<u>130,764</u>
Capital assets, being depreciated:				
Mains and extensions	19,979,157	3,353,346	-	23,332,503
Equipment	<u>394,331</u>	<u>21,004</u>	<u>-</u>	<u>415,335</u>
Total capital assets being depreciated	20,373,488	3,374,350	-	23,747,838
Less accumulated depreciation	<u>(7,427,645)</u>	<u>(426,920)</u>	<u>-</u>	<u>(7,854,565)</u>
Total capital assets being depreciated, net	<u>12,945,843</u>	<u>2,947,430</u>	<u>-</u>	<u>15,893,273</u>
Business activities capital assets, net	<u>\$ 15,440,849</u>	<u>\$ 3,029,492</u>	<u>\$ 2,446,304</u>	<u>\$ 16,024,037</u>

Discretely Presented Component Units –

Downtown Development Authority – Activity for the Downtown Development Authority for the year ended December 31, 2004 was as follows:

	<u>Jan. 1, 2004 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2004 Balance</u>
Capital assets, being depreciated:				
Shared street improvements	\$ -	\$ 200,409	\$ -	\$ 200,409
Storm sewer	<u>6,663,223</u>	<u>-</u>	<u>-</u>	<u>6,663,223</u>
	<u>6,663,223</u>	<u>200,409</u>	<u>-</u>	<u>6,863,632</u>
Less accumulated depreciation for:				
Shared street improvements	-	5,010	-	5,010
Storm sewer	<u>444,215</u>	<u>111,054</u>	<u>-</u>	<u>555,269</u>
	<u>444,215</u>	<u>116,064</u>	<u>-</u>	<u>560,279</u>
Downtown Development Authority capital assets, net	<u>\$ 6,219,008</u>	<u>\$ 84,345</u>	<u>\$ -</u>	<u>\$ 6,303,353</u>

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 7 – CAPITAL ASSETS – (cont'd):

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 26,469
Public Safety	36,853
Public Works	11,183
Recreation and Culture	<u>27,802</u>
Total depreciation expense-governmental activities	<u>\$ 102,307</u>
Business-type activities:	
Water	\$ 141,996
Sewer	<u>284,924</u>
Total depreciation expense – business activities	<u>\$ 426,920</u>
Component Units	
Capital assets, being depreciated:	<u>\$ 116,064</u>

NOTE 8 – LONG-TERM DEBT:

Primary Government -

The following is a summary of changes in the long-term debt (including current portion) of the Township for the year ended December 31, 2004:

	Balance Jan. 1, 2004	Additions	Reductions	Balance Dec. 31, 2004	Due Within One Year
<u>Governmental Activities -</u>					
Notes Payable – Building	\$ 145,200	\$ -	\$ -	\$ 145,200	\$ 26,400
Lease Purchase – Fire Truck	<u>111,590</u>	<u>-</u>	<u>25,814</u>	<u>85,776</u>	<u>27,156</u>
	<u>256,790</u>	<u>-</u>	<u>25,814</u>	<u>230,976</u>	<u>53,556</u>
<u>Business-type Funds -</u>					
General Obligation Bonds -					
1996 Sewage Disposal System	\$ 275,000	-	65,000	210,000	65,000
2002 Water System	920,000	-	30,000	890,000	35,000
2003 Water System	750,000	-	25,000	725,000	25,000
2004 Sewage Disposal System	-	900,000	-	900,000	30,000
Revenue Bonds -					
1997 C Revenue Bonds	<u>65,000</u>	<u>-</u>	<u>15,000</u>	<u>50,000</u>	<u>10,000</u>
	<u>2,010,000</u>	<u>900,000</u>	<u>135,000</u>	<u>2,775,000</u>	<u>165,000</u>
Total Primary Government	<u>\$ 2,266,790</u>	<u>\$ 900,000</u>	<u>\$ 160,814</u>	<u>\$ 3,005,976</u>	<u>\$ 218,556</u>

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 8 – LONG-TERM DEBT – (cont'd):

Bonds Payable -

Sewage Disposal System:

The Charter Township of Port Huron has two Sewage Disposal System General Obligation Bonds issues and one Revenue Bond issue outstanding at December 31, 2004, for which the proceeds were used for construction of a Sewage Collection System.

On March 23, 1989, the Charter Township of Port Huron issued \$270,000 in Special Assessment Refunding Bonds with an average interest rate of 7.290 percent to advance refunding \$442,000 of outstanding 1986 Special Assessment Bonds with an average interest rate of 6.375 percent. The net proceeds of \$264,084 (after payment of \$5,916 in underwriting fees, insurance and other issuance cost) plus an additional \$93,501 of available money and accrued interest was used to retire the 1986 Special Assessment Bonds. The advance refunding resulted in the recognition of an accounting gain of \$85,535 for the year ended December 31, 1989. Also the Township refunded in advance the 1986 Special Assessment Bond to reduce the aggregate debt service payment by \$297,598 over the next 26 years and obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$56,876.

During 1997 the 1989 Special Assessment Refunding Bond was refunded in advance to reduce the interest rate, therefore obtaining an economic gain of \$10,318 (difference between the present value of debt service payments on the old and new debt). The new issue is a Revenue Bond, Series 1997 dated October 16, 1997.

It is the intention of the Township to pay the Sewage Disposal System Bonds from special assessments, capital charges, and quarterly service charges against benefited customers and to the extent necessary from an at-large tax levy.

The Sewage Disposal System General Obligation Bonds, dated December 1, 1996, (Original Issue \$600,000) are due in annual installments ranging from \$65,000 to \$75,000 through May 1, 2007, with interest ranging from 4.85 to 5.10 percent, payable semi-annually.	\$ 210,000
---	------------

The Series 1997C Revenue Sharing Bonds dated October 16, 1997, (original issue \$145,000) are due in annual installments ranging from \$5,000 to \$15,000 through November 1, 2009, with interest ranging from 7.40 to 7.50 payable semi-annually.	50,000
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The Sewage Disposal System General Obligation Bonds, dated November 1, 2004, (original issue \$900,000) are due in annual installments ranging from \$30,000 to \$70,000 through November 1, 2024, with interest ranging from 3.10 to 4.60 payable semi-annually.	<u>900,000</u>
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\$ 1,160,000

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 8 – LONG-TERM DEBT – (cont'd):

Water Supply System:

The Charter Township of Port Huron has two General Obligation Bonds issue outstanding at December 31, 2004, from which the proceeds were used for water system improvements and expansion.

The General Obligation Limited Tax Bonds, dated November 4, 2002, (Original Issue \$950,000) are due in annual installments ranging from \$35,000 to \$70,000 through November 1, 2022, with interest ranging from 4.0% to 5.25% payable semi-annually.

\$ 890,000

The General Obligation Limited Tax Bonds, dated February 1, 2003 (Original Issue \$750,000) are due in annual installments ranging from \$25,000 to \$55,000 through November 1, 2022, with interest ranging from 2.50% to 5.00% payable semi-annually

725,000

\$ 1,615,000

Notes Payable -

On September 20, 1999, the Township purchased a building for \$198,000. The amount is due in fifteen (15) annual principal installments of \$13,200, plus interest of 5.4 percent, payable semi-annually, through March 30, 2014.

\$ 145,200

Fire Truck Lease-

The Township entered into a lease purchase agreement for a fire truck in the amount of \$198,677 on January 22, 2002. A down payment of \$34,000 and the first annual payment of \$31,616 was paid during 2003. The remaining balance is due in installments of \$31,616, including interest of 5.2 percent payable annually through June 1, 2007.

\$ 85,776

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 8 – LONG-TERM DEBT – (cont'd):

Annual Debt Requirements:

The annual requirements to pay the debt outstanding at December 31, 2004 are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Notes/Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 155,000	\$ 117,314	\$ 10,000	\$ 3,750	\$ 53,556	\$ 11,232
2006	165,000	110,050	15,000	3,000	41,768	9,107
2007	170,000	104,250	10,000	1,875	43,252	6,909
2008	95,000	99,033	10,000	1,125	13,200	4,633
2009	105,000	95,653	5,000	375	13,200	3,920
2010-2014	600,000	364,076	-	-	66,000	8,910
2015-2019	755,000	255,755	-	-	-	-
2020-2024	<u>680,000</u>	<u>78,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,725,000</u>	<u>\$1,224,895</u>	<u>\$ 50,000</u>	<u>\$ 10,125</u>	<u>\$ 230,976</u>	<u>\$ 44,711</u>

COMPONENT UNITS (Downtown Development Authority) -

The following is a summary of changes in the long-term debt (including current portion) of the Component Unit of the Township for the year ended December 31, 2004:

	<u>Balance Jan. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2004</u>	<u>Due Within One Year</u>
-					
<u>Bonds Payable -</u>					
1997 Downtown Development Bonds	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
1998 Downtown Development Refunding Bonds	<u>3,470,000</u>	<u>-</u>	<u>460,000</u>	<u>3,010,000</u>	<u>505,000</u>
	<u>\$ 4,470,000</u>	<u>\$ -</u>	<u>\$ 460,000</u>	<u>\$ 4,010,000</u>	<u>\$ 505,000</u>

On December 22, 1997 the Township issued \$1,000,000 in State Sharing Revenue Bonds for the purpose of acquiring, constructing and furnishing improvements in the Downtown Development Area of the Township. The bonds are issued in anticipation of the collection of, and are primarily payable from the tax increment revenue. In addition, if the tax increment revenues are insufficient for any reason, the Township shall make such payments from its General Fund. The bonds are due in annual installments ranging from \$125,000 to \$200,000 through November 1, 2015, with interest ranging from 5.0 to 5.3 percent payable semi-annually. Principal payments begin on November 1, 2010.

\$ 1,000,000

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 8 – LONG-TERM DEBT – (cont'd):

On June 2, 1998 the Township issued \$4,085,000 in General Obligation Limited Tax Refunding Bonds to advance refund a portion of the 1994 General Obligation Bonds, dated December 1, 1994, of \$3,600,000. The net proceeds after deducting issuance cost were deposited in an escrow account and used to purchase U.S. Government Securities. Accordingly, the trust account assets and liabilities of the defeased bond issue are not included in the Township's financial statements. At December 31, 2004, \$2,850,000 of the debt "in substance" remains outstanding. The advance refunding resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$133,430. The bonds are due in annual installments of \$505,000 to \$730,000 through May 1, 2009, with interest ranging between 4.50 to 4.65 percent, payable semi-annually.

3,010,000

\$ 4,010,000

Annual Debt Requirements –

The annual requirements to pay the debt outstanding for the Downtown Development Authority are as follows:

Year	1997 Bonds		1998 Bonds	
	Principal	Interest	Principal	Interest
2005	\$ -	\$ 51,850	\$ 505,000	\$ 126,120
2006	-	51,850	545,000	102,495
2007	-	51,850	585,000	76,924
2008	-	51,850	645,000	48,780
2009	-	51,850	730,000	16,973
2010-2014	800,000	169,963	-	-
2015	200,000	10,600	-	-
	<u>\$1,000,000</u>	<u>\$ 439,813</u>	<u>\$ 3,010,000</u>	<u>\$ 371,292</u>

Economic Development Corporation:

The primary purpose of the Port Huron Township Economic Development Corporation is to undertake any actions or projects, which will, in the opinion of the Board of Directors, aid or assist the economic development of Port Huron Township, Michigan. In connection, the Corporation entered into a contract with Baker College of Port Huron. Under the contract, the Corporation issued limited obligation bonds, dated April 1, 1999, for \$1,600,000 with interest of 4.69% per annum with a maturity date of May 1, 2006 and the proceeds are used to finance a project benefiting the commercial enterprise. Baker College of Port Huron makes payments equal to the net revenues from the project and are collateralized by a mortgage on the project and the lease contract. Upon full payment of the bonds, the ownership of the project is transferred to the Baker College of Port Huron.

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 8 – LONG-TERM DEBT – (cont'd):

Since the bonds are not a general obligation of the Economic Development Corporation or Port Huron Township and are payable solely from the related project, the bond and related contract have not been reflected in the financial statements of the Township.

NOTE 9 - SEWAGE DISPOSAL SYSTEM AGREEMENT:

The Charter Township of Port Huron does not own a sewage disposal plant; however the Township entered into an agreement with the City of Port Huron to acquire sewage disposal services. The agreement provides, among other things, that the City shall reserve 13.35% of its sewage plant capacity for the Township for which the Township has made a lump sum payment. Further, the Township shall reimburse the City for its respective share of the annual operating costs, including capital purchases and debt retirement.

In connection, the City of Port Huron has issued \$10,220,000 of bonds to make improvements and renovations to the plant. As noted above, the cost to repay these bonds are included in the annual operation cost from the City. Should the Township terminate the contract, the Township would be responsible for their share of the outstanding bonds, which at December 31, 2004, would amount to \$1,345,695.

NOTE 10 - WATER SUPPLY SYSTEM AGREEMENT:

The Charter Township of Port Huron does not own a water filtration plant; instead the Township has entered into an agreement with the City of Port Huron to provide the Township's water supply. Under an agreement, dated December 31, 1987, the Township agreed to purchase its present and future water requirements from the City of Port Huron. The agreement is for an indefinite period of time but at least for a period of thirty years from April 1, 1991, at such rates as the City may establish and is reasonable, plus a meter service charge.

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits to substantially all full-time employees through a deferred contribution plan. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Township contributes 10% of the employee's base compensation. In addition, each employee can make non-deductible, voluntary contributions of up to 10% of base compensation. All contributions, both employer and employee, become 100% vested at the time of the contribution.

For the year ended December 31, 2004, the Township contributed \$58,672, and the employees contributed \$7,841.

NOTE 12 – RESTRICTED ASSETS:

The restricted assets of \$20,745 in the Cemetery Perpetual Care Fund are for perpetual care. The restricted assets of \$4,838,632 in the Sewer Fund are for capital improvements/debt retirement.

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 13 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS:

Reserved Fund Balance/Retained Earnings -

Fund Balance/Retained Earnings has been reserved in the various fund types to indicate that a portion of the Fund Balance/Retained Earnings is not available but reserved for specific purposes:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Fund Balance -		
General	Prepaid Expenditures	\$ 18,290
Park	County Millage	151,050
Cemetery Perpetual Care	Perpetual Care	20,348
Building Inspection	Prepaid Expenditures	<u>1,553</u>
		<u>\$ 191,241</u>
Retained Earnings -		
Sewer Fund	Bond Retirement/Construction	<u>4,536,953</u>

NOTE 14 – RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Township has purchased insurance coverage for each of these types of losses; however, the Township would be responsible should the limit of coverage's be exceeded.

NOTE 15 - PRIOR PERIOD ADJUSTMENT:

Governmental Funds:

A prior period adjustment of \$108,122 was made in the General Fund to recognize nonexchange state shared revenues collected within 60 days, therefore increasing fund balance as reported at December 31, 2003 from \$2,852,054 to \$2,960,176.

A prior period adjustment of \$109,483 was made to the Transportation Fund to recognize deposits with the Blue Water Area Transportation and of \$(17,714) for the revenue recognition of the taxes collected, therefore increasing fund balance as reported at December 31, 2003 from \$0 to \$91,769.

Proprietary Funds:

A prior period adjustment of \$1,411,759 was recorded to the Water Fund retained earning to discontinue the reporting of contributed capital as a separate component of fund equity as required by GASB No. 33. In addition, prior period adjustments of \$(12,331) was made to the Water Fund to write off an outstanding receivable and \$(12,418) to record accrued bond interest at December 31, 2003. Therefore, net assets at December 31, 2003 increased from \$2,867,120 to \$4,254,130.

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 15 - PRIOR PERIOD ADJUSTMENT – (cont'd):

A prior period adjustment of \$5,919,172 was recorded to the Sewer Fund retained earnings to discontinue the reporting of contributed capital as a separate component of fund equity as required by GASB No. 33. In addition, a prior period adjustment of \$(2,549) was made to the Water Fund to record accrued bond interest at December 31, 2003. Therefore, net assets at December 31, 2003 increased from \$9,517,365 to \$15,433,988.

NOTE 16 - RESTATEMENTS:

As of and for the year ended December 31, 2004, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*
- No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- No. 38 - *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Required supplementary information, including certain budgetary schedules.

CHARTER TOWNSHIP OF PORT HURON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 16 – RESTATEMENTS – (cont’d):

As a result of implementing these pronouncements for the fiscal year ended December 31, 2004, the following restatements were made to net assets at December 31, 2003:

Government-wide financial statements. Beginning net assets for governmental activities were determined as follows:

Fund balances of general, special revenue, and nonexpendable trust fund as of 12/31/03	\$ 3,650,861
Prior period adjustment (See note 15)	<u>199,891</u>
	3,850,752
Add: capital assets	3,527,998
Less: accumulated depreciation on capital assets	(1,437,000)
Add: deferred revenues	93,700
Less: notes/leases payable	(256,790)
Less: accrued interest on bond/notes payable	<u>(5,385)</u>
Net Assets at 12/31/03	<u>\$ 5,773,275</u>

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 493,304	\$ 493,304	\$ 475,333	\$(17,971)
Licenses and permits	2,400	2,400	4,525	2,125
Intergovernmental	679,980	679,980	686,089	6,109
Charges for services	111,100	111,100	138,313	27,213
Fines and forfeits	1,000	1,000	220	(780)
Interest and rent	25,300	25,300	40,752	15,452
Other revenues	19,035	19,035	4,074	(14,961)
Total Revenues	<u>1,332,119</u>	<u>1,332,119</u>	<u>1,349,306</u>	<u>17,187</u>
Expenditures:				
General Government -				
Legislative	268,500	268,500	174,599	93,901
Supervisor	46,350	46,350	40,427	5,923
Elections	22,000	25,000	24,497	503
Assessor	82,490	95,000	101,120	(6,120)
Clerk	57,973	59,000	60,758	(1,758)
Board of Review	3,360	3,360	2,664	696
Treasurer	117,870	117,870	108,986	8,884
Township Hall	28,000	28,000	39,801	(11,801)
Rental Property	3,400	45,000	28,802	16,198
Planning Commission	42,688	42,688	36,734	5,954
	<u>672,631</u>	<u>730,768</u>	<u>618,388</u>	<u>112,380</u>
Public Safety -				
Fire Department	495,700	495,700	458,928	36,772
Demolitions	-	6,500	6,196	304
	<u>495,700</u>	<u>502,200</u>	<u>465,124</u>	<u>37,076</u>
Public Works -				
Department of Public Works	138,288	138,288	77,321	60,967
Street Lights	67,000	67,000	60,993	6,007
Drains	28,500	28,500	7,887	20,613
	<u>233,788</u>	<u>233,788</u>	<u>146,201</u>	<u>87,587</u>
Health and Welfare -				
Ambulance Service	<u>15,000</u>	<u>15,000</u>	<u>6,605</u>	<u>8,395</u>

Continued

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Expenditures - (cont'd):				
Recreation and Cultural - Parks and Recreation	\$ 30,000	\$ 30,000	\$ 23,671	\$ 6,329
Debt Service	16,000	16,000	39,597	(23,597)
Total Expenditures	1,463,119	1,527,756	1,299,586	228,170
Excess of revenues over (under) expenditures	(131,000)	(195,637)	49,720	245,357
Other Financing Sources (Uses):				
Transfers In	131,000	131,000	12,000	(119,000)
Transfer Out	-	-	(5,000)	(5,000)
	131,000	131,000	7,000	(124,000)
Excess of revenues and other sources over (under) expenditures and other uses	-	(64,637)	56,720	126,357
Fund Balance at beginning of year	2,852,054	2,852,054	2,852,054	-
Prior period adjustment	-	-	108,122	108,122
Fund Balance at beginning of year as restated	2,852,054	2,852,054	2,960,176	108,122
Fund Balance at end of year	<u>\$ 2,852,054</u>	<u>\$ 2,787,417</u>	<u>\$ 3,016,896</u>	<u>\$ 234,479</u>

Concluded

CHARTER TOWNSHIP OF PORT HURON**St. Clair County, Michigan****ROAD FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 225,000	\$ 225,000	\$ 212,859	\$(12,141)
Interest on investments	3,500	3,500	7,073	3,573
Other Revenues			-	
Special assessments	-	-	23,635	23,635
Miscellaneous	-	-	-	-
	<u>228,500</u>	<u>228,500</u>	<u>243,567</u>	<u>15,067</u>
Expenditures:				
Public works				
Contracted services	<u>226,050</u>	<u>226,050</u>	<u>93,317</u>	<u>132,733</u>
Excess of revenues over expenditures	2,450	2,450	150,250	147,800
Fund Balance at beginning of year	<u>144,604</u>	<u>144,604</u>	<u>285,153</u>	<u>140,549</u>
Fund Balance at end of year	<u>\$ 147,054</u>	<u>\$ 147,054</u>	<u>\$ 435,403</u>	<u>\$ 288,349</u>

CHARTER TOWNSHIP OF PORT HURON
St. Clair County, Michigan

POLICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 476,377	\$ 476,377	\$ 427,839	\$(48,538)
Interest on investment	800	800	1,119	319
	<u>477,177</u>	<u>477,177</u>	<u>428,958</u>	<u>(48,219)</u>
Expenditures:				
Public Safety -				
Contracted services	<u>500,000</u>	<u>500,000</u>	<u>435,097</u>	<u>64,903</u>
Excess of revenues over (under)				
expenditures	(22,823)	(22,823)	(6,139)	16,684
Other Financing Sources:				
Transfers In	<u>-</u>	<u>-</u>	<u>2,728</u>	<u>2,728</u>
Excess of revenues and other sources				
(under) over expenditures	(22,823)	(22,823)	(3,411)	19,412
Fund Balance at beginning of year	<u>28,042</u>	<u>28,042</u>	<u>29,539</u>	<u>1,497</u>
Fund Balance at end of year	<u>\$ 5,219</u>	<u>\$ 5,219</u>	<u>\$ 26,128</u>	<u>\$ 20,909</u>

SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2004

	Special Revenue Funds			
	Cemetery	Park	Fishing Derby	Liquor Control
ASSETS				
Current assets -				
Cash and cash equivalents	\$ 12,689	\$ 183,222	\$ 824	\$ 2,000
Receivables -				
Current and delinquent property taxes	-	-	-	-
Prepaid expenditures	-	-	-	-
Deposits	-	-	-	-
Due from other funds	2,523	-	187	-
	<u>15,212</u>	<u>183,222</u>	<u>1,011</u>	<u>2,000</u>
Restricted assets -				
Cash and cash equivalents	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 15,212</u></u>	<u><u>\$ 183,222</u></u>	<u><u>\$ 1,011</u></u>	<u><u>\$ 2,000</u></u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	73	199	-	-
Deposits payable	-	-	-	-
Due to other funds	2,486	24,516	264	10
Deferred revenue	-	-	-	-
Total Liabilities	<u>2,559</u>	<u>24,715</u>	<u>264</u>	<u>10</u>
Fund Balance:				
Reserved -				
Prepaid expenditures	-	-	-	-
County millage	-	151,050	-	-
Perpetual Care	-	-	-	-
Unreserved -				
Undesignated	12,653	7,457	747	1,990
Total Fund Balance	<u>12,653</u>	<u>158,507</u>	<u>747</u>	<u>1,990</u>
Total Liabilities and Fund Balance	<u><u>\$ 15,212</u></u>	<u><u>\$ 183,222</u></u>	<u><u>\$ 1,011</u></u>	<u><u>\$ 2,000</u></u>

				Permanent Fund	
Transportation	Museum	Building Inspection	Fire	Cemetery Perpetual Care	Total
\$ -	\$ 33,415	\$ 305,198	\$ 2,972	\$ -	\$ 540,320
161,473	-	-	113,618	-	275,091
-	-	1,553	-	-	1,553
124,902	-	-	-	-	124,902
-	134	52,695	-	-	55,539
<u>286,375</u>	<u>33,549</u>	<u>359,446</u>	<u>116,590</u>	<u>-</u>	<u>997,405</u>
-	-	-	-	20,745	20,745
<u>\$ 286,375</u>	<u>\$ 33,549</u>	<u>\$ 359,446</u>	<u>\$ 116,590</u>	<u>\$ 20,745</u>	<u>\$ 1,018,150</u>
\$ -	\$ 4,718	\$ 50	\$ -	\$ -	\$ 4,768
-	-	4,892	-	-	5,164
-	-	36,190	-	-	36,190
-	6,998	-	-	397	34,671
<u>175,366</u>	<u>-</u>	<u>-</u>	<u>113,618</u>	<u>-</u>	<u>288,984</u>
<u>175,366</u>	<u>11,716</u>	<u>41,132</u>	<u>113,618</u>	<u>397</u>	<u>369,777</u>
-	-	1,553	-	-	1,553
-	-	-	-	-	151,050
-	-	-	-	20,348	20,348
<u>111,009</u>	<u>21,833</u>	<u>316,761</u>	<u>2,972</u>	<u>-</u>	<u>475,422</u>
<u>111,009</u>	<u>21,833</u>	<u>318,314</u>	<u>2,972</u>	<u>20,348</u>	<u>648,373</u>
<u>\$ 286,375</u>	<u>\$ 33,549</u>	<u>\$ 359,446</u>	<u>\$ 116,590</u>	<u>\$ 20,745</u>	<u>\$ 1,018,150</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Special Revenue Funds</u>			
	<u>Cemetery</u>	<u>Parks</u>	<u>Fishing Derby</u>	<u>Liquor Control</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental -				
Local	-	31,126	-	4,986
Charges for services	22,830	91,983	-	-
Interest and rent	1,007	26,796	7	22
Other	-	964	797	-
Total Revenues	<u>23,837</u>	<u>150,869</u>	<u>804</u>	<u>5,008</u>
Expenditures:				
Current -				
General Government	23,643	-	-	-
Public Safety	-	-	-	2,120
Public Works	-	-	-	-
Recreation and Cultural	-	109,345	3,048	-
Total Expenditures	<u>23,643</u>	<u>109,345</u>	<u>3,048</u>	<u>2,120</u>
Excess of revenues over (under) expenditures	<u>194</u>	<u>41,524</u>	<u>(2,244)</u>	<u>2,888</u>
Other Financing Sources (Uses):				
Transfers In	192	-	2,000	-
Transfers Out	-	(14,000)	-	(2,728)
	<u>192</u>	<u>(14,000)</u>	<u>2,000</u>	<u>(2,728)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>386</u>	<u>27,524</u>	<u>(244)</u>	<u>160</u>
Fund Balances at beginning of year	12,267	130,983	991	1,830
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at beginning of year as restated	<u>12,267</u>	<u>130,983</u>	<u>991</u>	<u>1,830</u>
Fund Balances at end of year	<u>\$ 12,653</u>	<u>\$ 158,507</u>	<u>\$ 747</u>	<u>\$ 1,990</u>

				Permanent Fund		
Transportation	Museum	Building Inspection	Fire	Cemetery Perpetual Care	Total	
\$ 151,390	\$ -	\$ -	\$ -	\$ -	\$ 151,390	
-	-	213,873	-	-	213,873	
-	-	-	-	-	36,112	
-	-	-	-	260	115,073	
-	375	3,639	19	192	32,057	
-	275	2,701	-	-	4,737	
<u>151,390</u>	<u>650</u>	<u>220,213</u>	<u>19</u>	<u>452</u>	<u>553,242</u>	
-	-	-	-	-	23,643	
-	-	182,186	2,047	-	186,353	
132,150	-	-	-	-	132,150	
-	16,486	-	-	-	128,879	
<u>132,150</u>	<u>16,486</u>	<u>182,186</u>	<u>2,047</u>	<u>-</u>	<u>471,025</u>	
<u>19,240</u>	<u>(15,836)</u>	<u>38,027</u>	<u>(2,028)</u>	<u>452</u>	<u>82,217</u>	
-	-	-	5,000	-	7,192	
-	-	-	-	(192)	(16,920)	
-	-	-	5,000	(192)	(9,728)	
<u>19,240</u>	<u>(15,836)</u>	<u>38,027</u>	<u>2,972</u>	<u>260</u>	<u>72,489</u>	
-	37,669	280,287	-	20,088	484,115	
<u>91,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,769</u>	
<u>91,769</u>	<u>37,669</u>	<u>280,287</u>	<u>-</u>	<u>20,088</u>	<u>575,884</u>	
<u>\$ 111,009</u>	<u>\$ 21,833</u>	<u>\$ 318,314</u>	<u>\$ 2,972</u>	<u>\$ 20,348</u>	<u>\$ 648,373</u>	

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Charges for services -				
Sale of lots/niches			\$ 12,780	
Grave openings			10,050	
Interest and rent -				
Interest			57	
Rent			950	
	<u>\$ 26,550</u>	<u>\$ 14,300</u>	<u>23,837</u>	<u>\$ 9,537</u>
Expenditures:				
General Government -				
Salaries and wages	7,000	7,000	7,546	(546)
Fringe benefits and payroll taxes	900	900	927	(27)
Supplies	900	900	876	24
Telephone	300	300	234	66
Utilities	500	500	392	108
Printing and publishing	350	350	115	235
Repairs and maintenance	5,000	5,000	3,869	1,131
Gasoline and oil	800	800	1,355	(555)
Insurance	1,000	1,000	2,565	(1,565)
Capital outlay	8,125	8,125	3,149	4,976
Other	1,875	1,875	2,615	(740)
	<u>26,750</u>	<u>26,750</u>	<u>23,643</u>	<u>3,107</u>
Excess of revenues over (under) expenditures	(200)	(12,450)	194	12,644
Other Financing Sources:				
Operating transfers in	<u>200</u>	<u>200</u>	<u>192</u>	<u>(8)</u>
Excess of revenues and other sources over (under) expenditures	-	(12,250)	386	12,636
Fund Balance at beginning of year	<u>12,267</u>	<u>12,267</u>	<u>12,267</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 12,267</u>	<u>\$ 17</u>	<u>\$ 12,653</u>	<u>\$ 12,636</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

PARK FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Intergovernmental -				
Local			\$ 31,126	
Charges for services -				
Tourist accommodations			91,983	
Interest and rent -				
Interest earned			676	
Rentals			26,120	
Other -				
Miscellaneous			964	
	<u>\$ 147,600</u>	<u>\$ 107,200</u>	<u>150,869</u>	<u>\$ 43,669</u>
Expenditures:				
Recreation and Cultural -				
Salaries and wages			34,717	
Fringe benefits and payroll taxes			4,456	
Telephone			1,208	
Supplies			5,385	
Professional fees			900	
Publishing and printing			113	
Utilities			22,770	
Repairs and maintenance			24,675	
Gasoline			2,605	
Capital outlay			6,585	
Insurance			5,450	
Other			481	
	<u>107,875</u>	<u>119,000</u>	<u>109,345</u>	<u>9,655</u>
Excess of revenues over (under)				
expenditures	<u>39,725</u>	<u>(11,800)</u>	<u>41,524</u>	<u>53,324</u>
Other Financing Uses:				
Operating transfers out -				
General Fund	-	-	12,000	(12,000)
Fishing Derby Fund	1,000	1,000	2,000	(1,000)
	<u>1,000</u>	<u>1,000</u>	<u>14,000</u>	<u>(13,000)</u>
Excess of revenues over (under)				
expenditures and other uses	39,725	(11,800)	27,524	53,324
Fund Balance at beginning of year	<u>130,983</u>	<u>130,983</u>	<u>130,983</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 170,708</u>	<u>\$ 119,183</u>	<u>\$ 158,507</u>	<u>\$ 53,324</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

FISHING DERBY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Interest and rent -				
Interest earned	\$ 15	\$ 15	\$ 7	\$(8)
Other	-	-	797	797
	<u>15</u>	<u>15</u>	<u>804</u>	<u>789</u>
Expenditures:				
Recreation and Cultural -				
Supplies			3,013	
Other			35	
	<u>4,325</u>	<u>3,050</u>	<u>3,048</u>	<u>2</u>
Excess of revenues over (under)				
expenditures	(4,310)	(3,035)	(2,244)	791
Other Financing Sources:				
Operating transfers in	<u>3,300</u>	<u>3,035</u>	<u>2,000</u>	<u>(1,035)</u>
Excess of revenues and other sources				
under expenditures	(1,010)	-	(244)	(244)
Fund Balance at beginning of year	<u>991</u>	<u>991</u>	<u>991</u>	<u>-</u>
Fund Balance at end of year	<u>\$(19)</u>	<u>\$ 991</u>	<u>\$ 747</u>	<u>\$(244)</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

LIQUOR CONTROL FUND**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Intergovernmental -				
State	\$ 4,500	\$ 4,500	\$ 4,986	\$ 486
Interest earned	15	15	22	7
	<u>4,515</u>	<u>4,515</u>	<u>5,008</u>	<u>493</u>
Expenditures:				
Public Safety -				
Salaries and wages	2,250	2,250	1,870	380
Miscellaneous	265	265	250	15
	<u>2,515</u>	<u>2,515</u>	<u>2,120</u>	<u>395</u>
Excess of revenues over expenditures	2,000	2,000	2,888	888
Other Financing Uses:				
Operating transfers out	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,728)</u>	<u>(728)</u>
Excess of revenues over expenditures and other uses	-	-	160	160
Fund Balance at beginning of year	<u>1,830</u>	<u>1,830</u>	<u>1,830</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,830</u>	<u>\$ 1,830</u>	<u>\$ 1,990</u>	<u>\$ 160</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

**BLUE WATER AREA TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 160,000	\$ 160,000	\$ 151,390	\$(8,610)
Expenditures:				
Public Works -				
Transportation	160,000	160,000	132,150	27,850
Excess of revenues over expenditures	-	-	19,240	19,240
Fund Balance at beginning of year	-	-	-	-
Prior period adjustment	-	-	91,769	109,483
Fund Balance at beginning of year as restated	-	-	91,769	109,483
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,009</u>	<u>\$ 128,723</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

MUSEUM FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Interest	\$ 300	\$ 300	\$ 375	\$ 75
Donations	7,000	7,000	275	(6,725)
	<u>7,300</u>	<u>7,300</u>	<u>650</u>	<u>(6,650)</u>
Expenditures:				
Recreation and Cultural -				
Repairs and Maintenance			11,347	
Capital outlay			3,240	
Other			1,899	
	<u>8,300</u>	<u>12,000</u>	<u>16,486</u>	<u>(4,486)</u>
Excess of revenues under expenditures	(1,000)	(4,700)	(15,836)	(11,136)
Other Financing Sources:				
Operating transfer in	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Excess of revenues and other sources over (under) expenditures	-	(3,700)	(15,836)	(12,136)
Fund Balance at beginning of year	<u>37,669</u>	<u>37,669</u>	<u>37,669</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 37,669</u>	<u>\$ 33,969</u>	<u>\$ 21,833</u>	<u>\$(12,136)</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

BUILDING INSPECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Licenses and permits -				
Building permits			\$ 111,629	
Electrical permits			50,855	
Mechanical permits			31,885	
Plumbing permits			19,504	
Interest			3,639	
Other			2,701	
	<u>\$ 147,200</u>	<u>\$ 220,000</u>	<u>220,213</u>	<u>\$ 213</u>
Expenditures:				
Public Safety -				
Salaries			126,221	
Fringe benefits and payroll taxes			32,407	
Telephone			1,177	
Supplies			2,389	
Transportation			4,044	
Publishing and printing			18	
Professional fees			998	
Capital outlay			8,482	
Insurance			2,886	
Other			3,564	
	<u>151,990</u>	<u>164,680</u>	<u>182,186</u>	<u>(17,506)</u>
Excess of revenues over (under) expenditures	(4,790)	55,320	38,027	(17,293)
Fund Balance at beginning of year	<u>280,287</u>	<u>280,287</u>	<u>280,287</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 275,497</u>	<u>\$ 335,607</u>	<u>\$ 318,314</u>	<u>\$(17,293)</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

FIRE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004**

Revenues:

Interest	\$ 19
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Expenditures:

Public Safety -	
Professional fees	<u>2,047</u>

Excess of revenues under	
expenditures	(2,028)

Other Financing Sources:

Transfer In	<u>5,000</u>
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Excess of revenues and other sources	
over expenditures	2,972

Fund Balance at beginning of year	<u>-</u>
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Fund Balance at end of year	<u><u>\$ 2,972</u></u>
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FIDUCIARY FUNDS

CHARTER TOWNSHIP OF PORT HURON**St. Clair County, Michigan****AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 1,517,253	\$ 9,404,069	\$ 8,696,712	\$ 2,224,610
Due from other governmental units	<u>17,927</u>	<u>-</u>	<u>17,927</u>	<u>-</u>
	<u>\$ 1,535,180</u>	<u>\$ 9,404,069</u>	<u>\$ 8,714,639</u>	<u>\$ 2,224,610</u>
Liabilities:				
Due to component units	\$ 700,064	\$ 17,787	\$ 700,064	\$ 17,787
Undistributed taxes and interest	<u>835,116</u>	<u>7,216,049</u>	<u>5,844,342</u>	<u>2,206,823</u>
	<u>\$ 1,535,180</u>	<u>\$ 7,233,836</u>	<u>\$ 6,544,406</u>	<u>\$ 2,224,610</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

**AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
CURRENT TAX COLLECTION FUND				
Assets:				
Cash and cash equivalents	\$ 1,494,373	\$ 9,267,046	\$ 8,648,230	\$ 2,113,189
Due from other governmental units- State	17,927	-	17,927	-
	<u>1,512,300</u>	<u>9,267,046</u>	<u>8,666,157</u>	<u>2,113,189</u>
Liabilities:				
Due to component units	700,064	17,787	700,064	17,787
Undistributed taxes and interest	812,236	7,079,026	5,795,860	2,095,402
	<u>\$ 1,512,300</u>	<u>\$ 7,096,813</u>	<u>\$ 6,495,924</u>	<u>\$ 2,113,189</u>
OTHER TAX COLLECTION FUND				
Assets:				
Cash and cash equivalents	<u>\$ 22,880</u>	<u>\$ 137,023</u>	<u>\$ 48,482</u>	<u>\$ 111,421</u>
Liabilities:				
Undistributed taxes	<u>\$ 22,880</u>	<u>\$ 137,023</u>	<u>\$ 48,482</u>	<u>\$ 111,421</u>

COMPONENT UNITS

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

**COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2004**

	Downtown Development Authority			Total Downtown Development Authority
	Special Revenue	Debt Service	Capital Projects	
ASSETS				
Cash and cash equivalents	\$ 1,965,387	\$ -	\$ 156,704	\$ 2,122,091
Taxes receivable	1,122,908	-	-	1,122,908
Accounts receivable	-	-	-	-
Due from primary government	17,787	-	20,680	38,467
Due from component units	-	-	298,236	298,236
	<u>\$ 3,106,082</u>	<u>\$ -</u>	<u>\$ 475,620</u>	<u>\$ 3,581,702</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 200,406	\$ -	\$ -	\$ 200,406
Due to other governmental units	206,257	-	-	206,257
Due to component units	298,236	-	-	298,236
Due to primary government	169,195	-	4,133	173,328
Deferred revenue	1,122,908	-	-	1,122,908
	<u>1,997,002</u>	<u>-</u>	<u>4,133</u>	<u>2,001,135</u>
Fund Balance:				
Unreserved -				
Undesignated	<u>1,109,080</u>	<u>-</u>	<u>471,487</u>	<u>1,580,567</u>
	<u>\$ 3,106,082</u>	<u>\$ -</u>	<u>\$ 475,620</u>	<u>\$ 3,581,702</u>

<u>Economic Development Corporation</u>	<u>Brownfield Development Authority</u>	<u>Total</u>
\$ 23,595	\$ 27,547	\$ 2,173,233
-	-	1,122,908
-	15,756	15,756
-	6,350	44,817
-	-	298,236
<u>\$ 23,595</u>	<u>\$ 49,653</u>	<u>\$ 3,654,950</u>

\$ -	\$ 39,593	\$ 239,999
-	-	206,257
-	-	298,236
21,573	-	194,901
-	3,547	1,126,455
<u>21,573</u>	<u>43,140</u>	<u>2,065,848</u>

<u>2,022</u>	<u>6,513</u>	<u>1,589,102</u>
<u>\$ 23,595</u>	<u>\$ 49,653</u>	<u>\$ 3,654,950</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS -DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2004**

Fund Balances - total governmental funds		\$	1,589,102
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			6,863,632
Accumulated depreciation		(	560,279)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Grants			3,547
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	(	4,010,000)	
Accrued interest	(	31,556)	(4,041,556)
Net Assets of governmental activities		\$	<u><u>3,854,446</u></u>

CHARTER TOWNSHIP OF PORT HURON
St. Clair County, Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Downtown Development Authority			Total Downtown Development Authority
	Special Revenue	Debt Service	Capital Projects	
Revenues:				
Taxes	\$ 928,884	\$ -	\$ -	\$ 928,884
Intergovernmental	-	-	-	-
Interest and rent -				
Rent	-	-	-	-
Interest	18,124	-	1,448	19,572
	<u>947,008</u>	<u>-</u>	<u>1,448</u>	<u>948,456</u>
Expenditures:				
Public Works	236,941	-	-	236,941
Debt Service -				
Principal	-	460,000	-	460,000
Interest	-	199,753	-	199,753
	<u>236,941</u>	<u>659,753</u>	<u>-</u>	<u>896,694</u>
Excess of revenues over (under) expenditures	710,067	(659,753)	1,448	51,762
Other Financing Sources (Uses):				
Operating transfers in (out)	<u>(659,753)</u>	<u>659,753</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	<u>50,314</u>	<u>-</u>	<u>1,448</u>	<u>51,762</u>
Fund Balances at beginning of year	1,741,038	-	470,039	2,211,077
Prior period adjustment	<u>(682,272)</u>	<u>-</u>	<u>-</u>	<u>(682,272)</u>
Fund Balance at beginning of year as restated	<u>1,058,766</u>	<u>-</u>	<u>-</u>	<u>1,528,805</u>
Fund Balances at end of year	<u>\$ 1,109,080</u>	<u>\$ -</u>	<u>\$ 471,487</u>	<u>\$ 1,580,567</u>

<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
\$ -	\$ -	\$ 928,884
-	207,667	207,667
5,800	-	5,800
216	303	20,091
<u>6,016</u>	<u>207,970</u>	<u>1,162,442</u>
5,519	189,098	431,558
-	-	460,000
-	-	199,753
<u>5,519</u>	<u>189,098</u>	<u>1,091,311</u>
497	18,872	71,131
-	-	-
<u>497</u>	<u>18,872</u>	<u>71,131</u>
1,525	(12,359)	2,200,243
-	-	(682,272)
<u>1,525</u>	<u>(12,359)</u>	<u>1,517,971</u>
<u>\$ 2,022</u>	<u>\$ 6,513</u>	<u>\$ 1,589,102</u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2004**

Net change in fund balances - total governmental funds		\$	71,131
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay			200,409
Depreciation expense		(	116,064)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(	9,096)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.			
Principal payments on long term liabilities	460,000		
Decrease in accrued interest	<u>3,373</u>		<u>463,373</u>
Change in net assets of governmental activities		\$	<u><u>609,753</u></u>

CHARTER TOWNSHIP OF PORT HURON

St. Clair County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,000,000	\$ 1,000,000	\$ 928,884	\$(71,116)
Interest	15,000	15,000	18,124	3,124
	<u>1,015,000</u>	<u>1,015,000</u>	<u>947,008</u>	<u>(67,992)</u>
Expenditures:				
Public Works-				
Salaries and fringes	30,000	30,000	28,799	1,201
Supplies	2,000	2,000	64	1,936
Professional fees	6,000	6,000	4,000	2,000
Shared street construction	-	-	200,409	(200,409)
Other	-	-	3,669	(3,669)
	<u>38,000</u>	<u>38,000</u>	<u>236,941</u>	<u>(198,941)</u>
Excess of revenues over (under) expenditures	977,000	977,000	710,067	(266,933)
Other Financing (Uses):				
Operating transfers out	<u>(645,000)</u>	<u>(645,000)</u>	<u>(659,753)</u>	<u>(14,753)</u>
Excess of revenues over (under) expenditures and other uses	<u>332,000</u>	<u>332,000</u>	<u>50,314</u>	<u>(281,686)</u>
Fund Balance at beginning of year	1,741,038	1,741,038	1,741,038	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(682,272)</u>	<u>(682,272)</u>
Fund Balance at beginning of year as restated	<u>1,741,038</u>	<u>1,741,038</u>	<u>1,058,766</u>	<u>(682,272)</u>
Fund Balance at end of year	<u>\$ 2,073,038</u>	<u>\$ 2,073,038</u>	<u>\$ 1,109,080</u>	<u>\$(963,958)</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Supervisor and Members of
The Township Board
Charter Township of Port Huron
St. Clair County, Michigan

We have audited the financial statements of the Charter Township of Port Huron, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon, dated May 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Port Huron, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Reportable conditions are described as attached.

We also noted certain other matters involving the internal control over financial reporting that we reported to management of the Charter Township of Port Huron, Michigan's in a separate letter dated May 17, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Port Huron, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters, which are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management and others within the organization, and Township Board and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stewart, Beauvais & Whipple

Certified Public Accountants

May 17, 2005

CHARTER TOWNSHIP OF PORT HURON

2004 REPORTABLE CONDITIONS

All checks written should have two authorized signatures.

Currently two authorized signatures are required to process both payroll and disbursement checks. During the audit we noted several checks that had cleared and were returned with bank statements with only one authorized signature. To increase controls we suggest that the Township institute a procedure to monitor that all checks written contain the required dual signature.

All vendor invoices should be presented to the Board for approval.

During the audit it was noted that there were invoices that were paid but not included on the lists presented to the Township Board for approval. Currently an alphabetically typed list is prepared and presented at each Board Meeting. To increase controls we suggest that the software module for accounts payable disbursements be utilized to produce a numerical list by check number for the Board to review for approval. This list would help to ensure that all checks written were submitted for approval and that the amount approved was the actual amount that the vendor was paid.

The utilities accounts receivable should be periodically reconciled to the detailed subsidiary records and all billing adjustments approved.

During our audit we noted that the Township did not reconcile the detailed utilities accounts receivable ledgers to the General Ledger and that billing adjustments were not approved. By not performing this reconciliation, transactions or adjustments may be posted to the general ledger, but not the detailed accounts receivable ledger and vice versa. To increase the control over the utility accounts receivable and cash receipts, and increase the accuracy of internally prepared financial statements, the detailed accounts receivable ledger should be reconciled to the general ledger on a periodic basis and billing adjustments should be approved by someone other than the person preparing the billings.

Controls over revenues generated at the Township's RV Park could be improved.

At the current time when someone arrives at the Township's RV Park the attendant issues a receipt for the amount collected based on the length of stay and the type of hook-up. Weekly the attendant takes the amount collected and a copy of the prenumbered receipts to the Township Hall for deposit. However, there is no way for the Township to know for certain whether all money collected was receipted by the attendant. We suggest the Township investigate instituting procedures to make sure all money collected is receipted and remitted to the Township.

All cash received for the sale of cemetery lots should be collected through the Treasurers office and a detailed subsidiary ledger should be maintained for all cemetery lots sold.

During the audit we noted that when cemetery lots are sold, the monies are not collected by the Township Treasurer. Although we understand that sometimes it is necessary to sell lots on the weekend, if at all possible, cash receipts should be processed through the Treasurer's Department. If it is necessary to collect monies during the weekend, it should be immediately deposited with the Treasurer.

In addition, currently some cemetery lots are sold on an installment sales agreement with the deed issued once the entire amount has been paid. To increase controls over the sale of cemetery lots, a detailed listing of each lot should be maintained, indicating the lot number down payment, any payment made, and the amount due.

All permits should be prenumbered.

At the current time the Township prenumbers the Building permits with a stamp, however the electrical, plumbing and mechanical permits are not prenumbered. To increase controls we recommend that all permits be prenumbered. Also if the permits are not prenumbered by an outside agency, we suggest that the prenumbering stamp/machine be maintained by someone other than the individual responsible for cash receipting or performing the inspections.

MANAGEMENT LETTER

To the Supervisor and Members
of the Township Board
Charter Township of Port Huron
St. Clair County, Michigan

As you know, we have recently completed our audit of the records of the Charter Township of Port Huron, Michigan, for the year ended December 31, 2004. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the Township's recordkeeping system or compliance with laws and regulations. These suggestions are a result of our evaluation of internal accounting controls and procedures and our discussions with management. As noted in our ***Report on Internal Accounting Controls***, these weaknesses were not considered material in relation to the basic financial statements of the Charter Township of Port Huron, Michigan.

The amounts due between funds should be repaid or forgiven.

As of December 31, 2004, there were various amounts due between the various funds of the Township. We recommend that either these balances be repaid or forgiven by the Township Board.

A cafeteria plan should be established by the Township Board to account for payments to employees in lieu of health insurance.

During the audit it was noted that a couple employees receive payment in lieu of health insurance benefits. Although this is a win-win situation for both the employer and employee the IRS has ruled that this type of option would make the premiums paid for employees electing the medical insurance a "taxable benefit". These types of arrangements can be accomplished by adopting a formal cafeteria plan. Cafeteria plans are very flexible and can be structured to fit the needs and requirements of the Township.

To increase controls, all journal entries should have supporting documentation.

During our audit testing we noted that adjusting journal entries did not always have supporting documentation attached. All journal entries should be accompanied by a full explanation and/or by reference to adequate supporting data. The Township should also consider having someone other than the person making the entries approve the entries.

Management should consider whether the use of signature stamps is absolutely necessary.

During our audit we noted that a signature stamp is maintained to sign accounts payable and payroll checks when a second signature is not available. It is our understanding that the stamp is maintained in a drawer by the Clerks office. The drawer is unlocked during the day so most employees could have access to the stamp. In addition, by utilizing the stamp, checks can get processed with only one person signing the check.

We recommend that the Township review the reasons that a signature stamp is maintained and if not absolutely necessary, that they be destroyed. If it is decided that it is necessary, it should be in a secure location with only the authorized check signer as custodian of the stamp.

Controls could be improved by utilizing passwords on certain computer applications.

At the current time passwords are not utilized to limit access to certain accounting modules to certain individuals and/or departments. For instance, currently there are no passwords limiting the ability to post journal entries or process checks. To increase controls we suggest that the Township work with the software company to limit access for certain functions and applications to certain individuals/departments.

All funds should be balanced at the end of each month.

During our audit we noted certain funds did not balance, debits equaling credits. The double entry accounting system is designed to provide control over the accounting records. As a result of the funds being out of balance, a number of problems can occur and go undetected. We recommend that the funds be balanced before the monthly records are closed.

Procedures for issuing employee W-2's should be reviewed.

During the audit it was noted that multiple W-2's were being issued to several employees. Once an employee qualifies for W-2 reporting all wages should be reported on one W-2 form and be subject to FICA. We recommend that the Township review the procedures used when W-2's are issued.

Detailed records should be maintained for casual days earned by employees.

The Township employees have been allowed to earn casual days which are used when the employees need time off. However, for our audit we were unable to determine the number of days each employee had at December 31.


We recommend that detailed records be maintained throughout the year, and a schedule be prepared at the end of the year listing the number of casual days each employee has earned and not used.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2004 financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

This report is intended solely for the information of the audit committee, administration and the Township Board of the Charter Township of Port Huron, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,



May 17, 2005